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**A SELECTED BIBLIOGRAPHY ON MUNICIPAL DEBT:
GENERAL OBLIGATION BONDS**

Anthony G. White

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by

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For a city, as for an individual, large capital expenditures most often require the city to borrow money in some manner. Unlike the federal government, which can both control the flow of money in the economy and operate on a deficit basis, cities are usually required by state law to operate within a balanced budget, often supplemented by debt limitations and restrictions on how large reserve funds can get.

Urban governments - cities, some counties, and some special districts - incur debt through the issuance of municipal bonds. As a rule, such bonds are not issued for operating, day-to-day expenses but rather for construction and/or purchase of specific facilities, goods and services.

This bibliography deals with the first of two basic types of municipal bonds - the general obligation bond. General obligation bonds offer the full credit of the city towards the repayment of such debts, that is, the city promises to levy whatever property taxes are necessary to pay the principle and interest annually on the bonds.

However, the standard policy of a city as established by state law or the city's charter is that general obligation bonds are sold only after approval by the city's voters. This restriction presents one of the most interesting facets of the overlap of the political process into the field of municipal finance. Voters are required to balance the physical and/or social need involved - urban renewal, municipal buildings, a sports arena, a water system - against their pocketbooks.

One major advantage of general obligation bonds over other types of bonds is that the pledge of repayment by tax revenues guarantees payment of bond principle and interest (called "debt service") on time. As the most secure form of municipal debt, a city will pay the lowest interest rate on general obligation bonds.

Another major advantage of general obligation bonds, and indeed other types of municipal bonds and securities, is their tax-exempt status with respect to state and federal taxing agencies. This additional factor further reduces the interest rate to the city when the bonds reach the bond market for sale.

This bibliography is of necessity rather skimpy, since "news" stories are avoided. Such items occur in several recurring sources, among which are Business Week, Barron's, Moody's The Bond Buyer, The Conference Board Record, Future, Harvard Business Review, Nation's Business, and the Wall Street Journal. Much of the mechanical process of general obligation bonding is tied up in the informational statements and unwritten lore of the bond legal counsel, as can be seen by some of the bibliographic entries. City charters, state statutes, and state constitutions for the legal basis for general obligation bonds, and must be examined

in context to determine the potentialities and limitations of a city's general obligation bonding capacity (usually a percentage of the city's assessed value). Any individual issue of bonds must also be examined in the context of legal counsel's advice, market conditions, and the city's financial status, as well as the voters' opinions. Thorough study of this aspect of municipal finance is necessary to facilitate an understanding of the intricate fiscal mechanism that keeps a city in operation.

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